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## COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

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*"To Enrich Lives Through Effective and Caring Service"*



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January 28, 2020

To: Gina Natoli  
Hearing Officer

From: Shannon Louis  
Rent Stabilization Program

**Case No. RSQ19-07874**  
**Laura Pulido vs. Tenants of 744 – 746 ½ S. Woods Avenue Los Angeles,**  
**California 90022**  
**Hearing Officer Meeting: January 30, 2020 – Agenda Item: 7**

The above-mentioned item is a Petition for Relief from Moratorium to request a rent increase in excess of the allowable limit as established by the Interim Rent Stabilization Ordinance, Ordinance Number 2018-0045. The Petitioner, Laura Pulido, owns the property located at 744 – 746 ½ S. Woods Avenue Los Angeles, California 90022.

The item was initially continued on September 5, 2019 to a date certain of September 26, 2019, to allow the Department of Consumer & Business Affairs (DCBA) additional time for review and analysis of the supporting documentation provided by the Petitioner. The case was then continued to October 17, 2019 and subsequently, December 5, 2019 for the same reason as outlined above. On December 5, 2019, DCBA presented the Hearing Officer Package with the following recommendations:

1. *CONTINUANCE of the Interim Rent Stabilization Ordinance Petition for Relief from Moratorium – Case Number RSQ19-07874 under the following conditions:*
  - *Petitioner provides all requested documentation within the required timeframe*

*If the Petitioner does not provide the requested documentation by the continued hearing date, unless otherwise approved by the Hearing Officer, DCBA recommends a denial as to the fair return increase.*

2. *APPROVAL of the Interim Rent Stabilization Ordinance Petition for Relief from Moratorium Capital Passthrough Request under the following conditions:*

- *Only 50% of the capital improvement costs may be passed through to affected tenants for a maximum of:*
  - *\$36.50 (\$73.00 x 0.50) for the air conditioner capital improvement*
  - *\$7.91 (15.82 x 0.50) for the flooring capital improvement*
- *The capital improvement passthrough shall not commence until affected tenants are served a proper written notice.*
- *The capital improvement passthrough related to the air conditioner of \$36.50 shall not exceed 120 months.*
- *The capital improvement passthrough related to the flooring of \$7.91 shall not exceed 84 months.*
- *The capital improvement passthroughs shall be listed as separate line items and not deemed as rent.*
- *The capital improvement passthroughs should indicate an expiration date.*
- *The Petitioner may increase rents by the allowable limit where allowed by the IRSO and permanent RSO. Capital improvements should not be calculated in the rent increase.*
- *The combined allowable increase and capital improvement passthroughs shall not exceed 10% per year, which may result in the Petitioner not receiving the entire allowable passthroughs of \$36.50 and/or \$7.91 in certain years depending on the allowable increase.*
- *Only the affected tenants may be charged for the passthrough. The remaining tenants shall not receive a capital passthrough. The rental rate for new vacancies should account for the capital passthroughs and may not be charged in addition to the listed rent.*

This memo is a follow up to DCBA's recommendation on December 5, 2019. At this time, DCBA is recommending the following for Interim Rent Stabilization Ordinance Petition for Relief from Moratorium – Case Number RSQ19-07874:

1. **DENIAL** *as to the fair return increase, due to not receiving the requested documentation.*

*To review and determine the Maintenance of Net Operating Income (MNOI) between the base year and petition year, the Petitioner must provide substantive documentation related to the reported income and expenses. The Petitioner reports the following operating expenses: property taxes, property insurance, water, electricity, termite protection, maintenance and repairs. DCBA received the following expense-related documentation from the Petitioner:*

- *California Water Service Payment History from January 2017 – December 2019;*
- *Triple AAA Property Insurance Billing History from August 2018 – November 2019;*

- *Property Tax Statements & Payment History from April 2016 – June 2019*
- *Edison Payment History from March 2018 – December 2018*
- *Pacific Coast Termite Inspection Reports from June 2017 - March 2019*
- *Pacific Coast Termite Protection Plans – no dates*
- *Miscellaneous Maintenance Receipts from June 2017 - March 2019*

*Based on the supporting documentation provided by the Petitioner, DCBA is unable to accurately substantiate the reported expenses. The Petitioner reports property insurance as an expense, but does not demonstrate the amount of insurance paid for 11 of the 12 months in the Base Year (September 2017 – July 2018).*

*The Edison Payment History is lacking payment history from September 2017 – February 2018, which leaves 6 months of the Base Year unaccounted for.*

*The Petitioner reports termite protection as an expense in the amount of \$400.00 annually, but has not provided documentation to substantiate payment history for the service for the Base Year or Petition Year.*

*Due to the lack in substantive documentation, DCBA is unable to capture the Petitioner's income and expenses to accurately calculate the Net Operating Income (NOI) in the base year and petition year. The inability to calculate the NOI in the base year and petition year, to determine if the Petitioner has maintained their NOI between the two years, prevents DCBA from making a recommendation for or against a fair return increase.*

2. **APPROVAL** of the capital passthrough request, under the following conditions:

- *Only 50% of the capital improvement costs may be passed through to affected tenants for a maximum of:*
  - *\$36.68 ( $\$73.36 \times 0.50$ ) for the air conditioner capital improvement*
  - *\$7.91 ( $15.82 \times 0.50$ ) for the flooring capital improvement*
- *The capital improvement passthrough shall not commence until affected tenants are served a proper written notice.*
- *The capital improvement passthrough related to the air conditioner of \$36.50 shall not exceed 120 months.*
- *The capital improvement passthrough related to the flooring of \$7.91 shall not exceed 84 months.*
- *The capital improvement passthroughs shall be listed as separate line items and not deemed as rent.*
- *The capital improvement passthroughs should indicate an expiration date.*
- *The Petitioner may increase rents by the allowable limit where allowed by the IRSO and permanent RSO. Capital improvements should not be calculated in the rent increase.*
- *The combined allowable increase and capital improvement passthroughs shall not exceed 10% per year, which may result in the Petitioner not*

*receiving the entire allowable passthroughs of \$36.68 and/or \$7.91 in certain years depending on the allowable increase.*

- *Only the affected tenants may be charged for the passthrough. The remaining tenants shall not receive a capital passthrough. The rental rate for new vacancies should account for the capital passthroughs and may not be charged in addition to the listed rent.*

#### **SUGGESTED STATEMENT**

I, THE HEARING OFFICER, CLOSE THE PUBLIC HEARING, WITH A DENIAL OF THE FAIR RETURN INCREASE AND APPROVAL OF THE CAPITAL IMPROVEMENT PASSTHROUGH UNDER THE CONDITIONS AS OUTLINED IN THE FINDINGS FOR THE INTERIM RENT STABILIZATION ORDINANCE PETITION FOR RELIEF FROM MORATORIUM, CASE NUMBER RSQ19-07874.

If you need further information, please contact Shannon Louis at (213) 974-4118 or [slouis@dcba.lacounty.gov](mailto:slouis@dcba.lacounty.gov). Department office hours are Monday through Friday from 8:00 a.m. to 4:30 p.m.

SL: af  
(1/28/2020)